The DeMint
Social Security Savings Act

Summary of Provisions

Voluntary Accounts: Creates a voluntary program for workers under age 55 to save a generous portion of their Social Security taxes in a personal savings account. Currently, Social Security taxes 12.4 percent of workers' wages, but does not save them for their retirement.

Generous Contributions: Account contributions would be determined on a sliding scale with the lowest earners saving 8 percent of wages and the highest earners saving 3 percent. This structure would give all Americans, especially those with lower incomes, the opportunity to accumulate wealth and guarantee their Social Security benefits. The accounts would be the personal property of the worker and could be transferred to heirs upon death, allowing family members to inherit wealth and add to their retirement security.

Full Benefits: Ensures that no American will ever receive less than what is offered by Social Security today. Social Security's promise to seniors and those nearing retirement would be protected by not changing the current system in any way. The promise to younger generations (ages under 55) would be kept by allowing them to receive part of their monthly benefits from the government (Part-A) and part from their personal account (Part-B).

Investment Choice: Workers participating in the new system could select either a standard account with no investment choice and no risk, or a flexible account with limited choice and limited risk. The standard account would be invested in one fund consisting of 65 percent indexed stock and 35 percent government bonds. The flexible account could be invested by the worker in several broad-based funds similar to the federal employees' Thrift Savings Plan (TSP). Every worker with an account would see his benefits, regardless of fund selection, offset based on the performance of the standard 65/35 account option.

Bonus Benefits: Provides a one-time cash bonus to those workers with personal accounts to encourage universal participation. This bonus would be a based on a percentage of the worker's account balance at the time of retirement, starting at 10 percent for the oldest workers in the new system (age 54) and gradually phasing out for younger workers (ages 25 and younger). For future generations, the accounts will produce benefits much higher than under current law.

Retirement Flexibility: Upon retirement, seniors could either convert all of their account into a fixed monthly income, or they could convert part of their account to ensure at least poverty level protection and cash out the remaining balance as a lump sum. Retirees would receive their one-time cash bonus in addition to their other benefits.

Permanent Sustainability: According to the Social Security Administration's actuaries, the plan will reduce the system's general fund requirements by two-thirds without raising Social Security taxes or reducing benefits. The plan's account would save taxpayers $17.9 trillion over the next 75 years and make the program permanently self-sustaining.